

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2015

Docket No. ACR2015

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO COMMISSION REQUEST FOR ADDITIONAL INFORMATION
IN THE FY 2015 ANNUAL COMPLIANCE DETERMINATION**
(April 27, 2016)

In its Fiscal Year 2015 Annual Compliance Determination (ACD), issued on March 28, 2016, the Postal Regulatory Commission requested additional information from the Postal Service regarding two competitive domestic negotiated service agreements (NSAs). The Postal Service's response was due within thirty days of the issuance of the ACD. The Postal Service's response to the Commission's request is attached.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product Support

Elizabeth A. Reed

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1137
(202) 268-3179
April 27, 2016

1. Attributable Cost Coverage, Competitive Domestic NSAs

The Commission finds that Priority Mail Contract 135 and Parcel Return Service Contract 8 were not in compliance with 39 U.S.C. § 3633(a)(2) in FY 2015. The Postal Service stated that it will either amend or terminate the contracts as appropriate. The Commission directs the Postal Service to report within 30 days of issuance of this ACD on the result of the Postal Service's evaluation and the corrective action the Postal Service intends to take.

RESPONSE:

Priority Mail Contract 135: The Postal Service has been closely monitoring this contract in FY 2016, and thus far, Q1 and Q2 volumes have increased significantly as compared to FY 2015. The Postal Service and the customer will review the data at their upcoming Quarterly Business Review. The Postal Service anticipates that the contract will cover its costs in FY 2016, assuming that the customer's volumes and package characteristics continue on this path. The Postal Service has determined to not take any corrective action at this time, but will continue to closely monitor the cost coverage of this contract throughout this fiscal year.

Parcel Return Service Contract 8: As stated in its response to Chairman's Information Request No. 7, Question 29, the Postal Service expects this contract will cover its costs in the upcoming fiscal year, as a result of a shift in the characteristics of the parcels shipped by the customer. The most recent data from Quarter 2 of FY 2016 has reinforced the Postal Service's position that the contract will cover its costs in FY 2016. Therefore, the Postal Service has determined to not take any corrective action at this time, but will continue to closely monitor the cost coverage of this contract throughout this fiscal year.